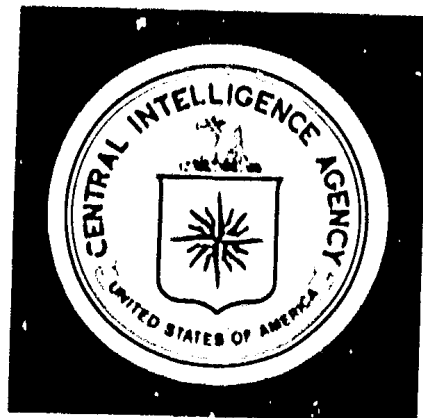


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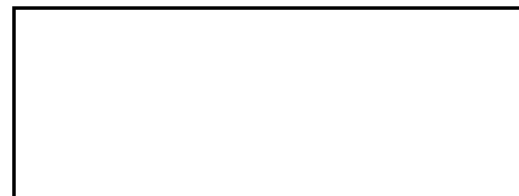
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This publication is prepared by the China branches of the East Asia - Pacific Division of the Office of Current Intelligence, with contributions from other offices within the Directorate of Intelligence and from the Directorate of Science and Technology. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Sino-Soviet Relations: Continuing Differences

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In a conversation with US officials in Moscow, a Chinese diplomat dismissed the recent Soviet proposal on the Sino-Soviet border dispute as "totally unacceptable." The proposal, which was made earlier this year but has only recently been surfaced by Moscow, focuses on the border east of Mongolia and makes some concessions to the Chinese. It does not, however, meet Peking's demands that the entire border question be negotiated as a single package and that any settlement include the transfer of Hei-hsia-tzu Island to China.

While the Soviets portrayed their latest offer as a serious attempt to break the deadlock in the talks, Peking undoubtedly sees it primarily as only another Soviet pressure tactic. Peking probably reasons that if Moscow really expected a positive Chinese response to any of its proposals over the past few months, the Soviets would not have made them public. Moreover, the Soviets have coupled public demands that China reply to their proposals with private statements that they do not intend to send their chief negotiator back to Peking until China replies. This is hardly a conciliatory stance, given Peking's sensitivity to taking any action that would appear to be a capitulation to Soviet demands.

Balanced against this interpretation are continuing signals that Moscow does indeed want some improvement in bilateral relations. *Pravda* recently deleted anti-Chinese portions of a Suslov speech, and Soviet media treated Peking kindly in messages on the occasion of Albanian National Day. But at times some signals carry a dual message. For example, Moscow took the unusual step of publishing its "thank you" note to China's Soviet National Day greetings, but the message itself tersely lectured Peking on the need to respond to Moscow's proposals.

At least one Chinese official has interpreted these conflicting signs as indicating that there is a faction within the Soviet leadership that favors concessions to China to improve relations before Peking normalizes ties with Washington. The same official also said he expects Iliev to return to Peking soon to resume the border talks. This is the first time that any Chinese official has advanced such judgments, and the chance that they will be borne out by events is extremely slight. The Soviet Politburo is united behind present policy, and no factional dispute is needed to explain its tactics. The message Moscow is probably projecting is that since 1967, the Sino-Soviet dispute has operated within certain parameters and that following the extremely tense situation of the last three months, the Soviets want to go back to operating within these boundaries. If this is correct, Iliev or his successor will be going back to Peking at some point, but not in the immediate future.

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The Confucius Campaign: Action and Reaction

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The anti-Confucius campaign is now well off the ground after its initial boost by the central media in Peking. Criticism of Confucius is no longer limited to the universities; it is the order of the day in factories and, as befits a major political campaign, is the subject of study sessions. Its objectives are still undefined, and this may have caused some confusion in the provinces. Some of the current debates over policy may be an honest attempt by provincial officials to further the goals of the anti-Confucius drive, but in other cases the disputes may be intended as counter-measures.

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In the first official suggestion that the campaign is aimed at someone in the national leadership, leaders of study sessions [REDACTED] to criticize the Confucian theory that "those in power are men of wisdom," and admitted that the current leadership in Peking still contains "bad elements" who must be criticized and "eliminated." Participants were warned, however, not to speculate about who in Peking might be the target. Study session leaders probably would not have made such statements without Peking's approval. Nevertheless, their warnings against speculation suggest that the leadership at the top is divided on this issue and hence is not prepared to approve the open denunciation of the campaign's target. Indeed, the target may not have been revealed to local officials.

The campaign, now in its fifth month, has seen its first admission of guilt. Noted philosopher Feng Yu-lan published an article on 3 December in which he attacked Confucius and confessed that he was once a "Confucius-worshiper." At a forum in 1962 to mark the anniversary of the death of Confucius, Feng claimed the sage was "progressive," a notion that contradicts today's assessment that he was a reactionary.

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The probable target of the anti-Confucius campaign is Mao's wife, Chiang Ching, and her leftist associates. Yet as the campaign unfolds, some provinces [REDACTED] pushing a line on policy issues that seems to conform to her known views and to emphasize her achievements. [REDACTED] by name, just celebrated "revolutionary opera month," an unusual event designed to honor her so-called model plays and one obviously contrived as a show of support.

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[REDACTED] to mind the warning in one anti-Confucius article that those who lose political power will "counterattack in the cultural field."

In some respects [REDACTED] working in tandem to promote a revival of leftist educational policies advanced during the Cultural

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Revolution. [redacted] a sweeping attack on "revisionist" tendencies in the universities made by a recent university graduate.

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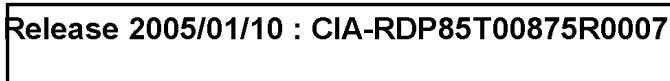


[redacted] local radio broadcast a ringing defense of the Cultural Revolution, complaining that the Soviet Union had "viciously villified" that political upheaval. Using a statement written into the new party constitution but shunned by most media, including those in Peking, Liaoning called for preparations to carry out "more Cultural Revolutions in the future." The broadcast claimed the Cultural Revolution "was never really affected" by Lin Piao's line; earlier attacks on Lin seemed to blame him for the excesses of the Cultural Revolution, but Liaoning, at least, would admit to no intemperance. The broadcast also sniped at the use of material incentives and the dominance of "experts" in factories.

Last summer Liaoning weighed in heavily on the side of "revolutionary practices" in a fierce debate over the use of college entrance examinations. The support of Liaoning party boss and Politburo member Chen Hsi-lien may well have been the decisive factor in tipping the scales against examinations. Chen, who had been under leftist attack himself during the Cultural Revolution, may have aligned with the radicals on the issue in an effort to block the gradual erosion of the military's political role and to protest the use of the military as a scapegoat in the Lin Piao affair. Whatever his motives, Chen has shown that a radical-military coalition could be a potent force that would put the moderates on the defensive. If the anti-Confucius campaign is indeed aimed at the leftists, Chou En-lai will most likely take any steps necessary to prevent his opponents from acquiring widespread military support.



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The 1973 Harvest and Grain Imports

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The 1973 harvest of grain in the People's Republic of China should be somewhat better than the poor crop in 1972. Peking had predicted that the output would exceed 1971's harvest, but crops have been set back by typhoons in south China and by heavy rainfall in the Yangtze and Yellow river valleys.

Improved harvests of coarse grains—corn, millet, and kaoliang—in the northeast and to a lesser extent in north China should more than compensate for earlier shortfalls in wheat and rice output. Coarse grains were hard hit last year when prolonged rainfall and flooding occurred at the time of harvest. Peking has tacitly admitted that the summer grain harvest—mostly wheat—was not as good as in 1972, despite a substantial increase in acreage. Peking's claims of a "good harvest of early rice" were not borne out by reports from the major producing provinces. Growing conditions for the intermediate and late rice crops—which together account for about 60 percent of China's annual rice output—have been generally favorable in the eastern Yangtze Valley, but only fair in south China and in Szechwan provinces.

This year's grain harvest will be another disappointment in Peking. Population has increased by about 40 million since 1971, while grain output has stagnated. As in 1972, the positive effects of increased supplies of chemical fertilizers, pesticides, and water pumps on grain output in 1973 have been offset by poor weather conditions. Other crops—cotton, oilseeds, and soybeans—fared even worse than grain because of both acreage cuts and poor growing conditions.

Peking continues to import grain at a record pace. New contracts have recently been signed

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Planned Chinese imports in 1974 now stand at 8.4 million tons.

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Chinese grain imports in 1974 may increase further. The Chinese are reported to be considering a plan to import from 1 to 3 million tons of wheat and corn into south China in order to free a similar quantity of rice for export. Heretofore, almost all Chinese grain imports have been used to feed urban areas in north China. Except for small purchases to round out deliveries in the fourth quarter of 1974, Peking has apparently already contracted for sufficient grain--about 8 million tons--to satisfy these needs. If a wheat-for-rice substitution plan is adopted, China's grain imports in 1974 could reach 10 million tons.

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Worries About the Middle East

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Peking is manifesting concern over the effects of the Arab oil boycott on the US, Western Europe, and Japan and over increasing Soviet influence in the Middle East in the wake of the Arab-Israeli war.

The Chinese press has moved away from its original strong endorsement of the Arabs' use of the "oil weapon." On 15 November, the first comprehensive NCNA report praised the oil embargo as a resolute, united action which hit at Israel and the super powers. Noting that the embargo had dealt a heavy blow to the US, NCNA suggested that the embargo might serve as a model for other Third World countries in achieving their goals. As the effects of the embargo on the US, Western Europe, and Japan became clearer, Chinese reporting on the subject shifted to straightforward accounts of Arab policy and its economic consequences for other countries. The press reported the remarks of Algerian President Boumediene and Arab League Secretary General Riad at some length, but did not mention their praise of the "oil weapon" and its impact on the West. A senior Chinese trade official in Western Europe recently asserted that his government did not agree with the Arabs' handling of the boycott and had told the Arabs so.

The Middle East war may have proved useful in bolstering the Chinese propaganda line against super power "contention and collusion" in the region, but Peking obviously has perceived that the oil embargo is damaging the economy of the wrong super power and its friends. This concern over potential damage to the US economy is coupled with the worrisome thought that it may be Moscow that has gained the most from the Middle East war.

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China is still publicly labeling US and Soviet efforts to achieve a settlement as an attempt to impose a solution on the Arabs which would deny them their rights. Its criticism, however, is in a much lower key than that voiced when the cease-fire

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[REDACTED]

was arranged. Privately, the Chinese have indicated that they may now prefer a Middle East settlement in order to limit Soviet gains. Chinese leverage in the region is, of course, limited, but Peking is doing what it can to sow distrust of the USSR among the Arabs and to encourage Arab unity as a hedge against further Soviet encroachment in the region.

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Problems in China's Civil Research Institutions

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China's scientific recovery from the effects of the Cultural Revolution an upheaval that some sources speculate set research back 5 years is slow. Serious problems are still being encountered, largely as a result of shortages of manpower and equipment. Continuing political conflict within the institutions also hampers progress. Moves to re-establish scientific training in the universities have been delayed by problems in selecting students. Attempts to introduce scientific equipment, though well supported by growing foreign technical trade relations, have run into difficulties. The utilization of newly purchased instruments is being slowed by shortages of qualified technicians. While a great deal of technical data is gathered abroad, its assimilation in China's laboratories is hindered by inefficient technical information systems. Many research units are unable to gain the technical data needed for their development programs, partly because of the over-decentralization of research carried on at the provincial level.

Prior to these moves, emphasis on political activity had waned and as a result much more research was able to be carried out in China's institutions. A better balance was struck between basic science and applied science; there were more contacts with foreign scientists; and the publication of scientific journals was on the upswing.

The new surge in political conflict, however, has changed the picture. Many

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the anti-Confucius campaign has spread from the universities to the Academy of Sciences. This campaign is part of a larger political conflict now being played out throughout China. As part of the campaign, or perhaps as a reaction against it, the trend toward higher academic standards and the more pragmatic approach toward scientific research are coming under renewed attack. Although the extent of the anti-Confucius campaign is not known, it is clear that politics has once again intruded into these areas, threatening, at least for the moment, the gains made in science and education since the retreat from Cultural Revolution policies.

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Fall Canton Fair: Good But Not Great

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The 1973 fall Canton Fair, which ended November 15, may have failed to meet China's high expectations. Total transactions probably reached between \$1.4 and \$1.5 billion, an increase over the record 1973 spring fair but perhaps not as large as the Chinese desired. Attendance was down slightly from the spring fair; at that time a number of traders were disappointed by the sharp increases in Chinese prices.

Prices at the fair were again high, but generally in line with world market levels. Traders encountered some shortages of Chinese goods as Peking again rationed available supplies among the many buyers. In an effort to boost sales, the Chinese were sympathetic to buyers' requirements on labeling and packaging.

Contracts signed by the Japanese--the second largest contingent--approached \$300 million, slightly less than the Japanese total at the spring fair. High Chinese prices contributed to a sharp drop in Japan's purchases of raw silk and soybeans. Japan's sale of chemicals fell off because of supply shortages, despite Chinese willingness to buy at high prices. Low Chinese price offers hurt the sale of Japanese bearings, usually an important item.

US attendance and the level of American business transacted reached new highs at the fall fair. Almost 250 Americans, representing over 100 firms, purchased more than \$25-million worth of Chinese goods and sold almost \$15 million. Major US purchases included gum rosin, fireworks, and cotton textiles. The largest US sales were of wood pulp and paper, tallow, and petrochemicals. By inviting Mobil, Exxon, and several large producers of oil drilling equipment to the fair, the Chinese demonstrated their continued interest in American equipment and technology. Caltex, Westinghouse, Baker Trading, and Presser Industries went on to Peking after the fair to continue discussions on the sale of plants and equipment.

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Broader Role for Electronics

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China's electronics industry is broadening its heretofore predominantly military output to support industrial modernization and general economic development. The Chinese news media have been giving considerable coverage recently to the application of electronics to industry, especially to silicon-controlled rectifiers to control the power input to electric steelmaking furnaces, automated production equipment such as electroplating machines and knitting machines, and program control for automating production in textile, machine-building, and chemical industries.

In seeking ways to increase productivity, Peking is well aware of the important role that the electronics industry can play. One reason the rate of increase in industrial output declined in 1972 was the gradual exhaustion of opportunities for inexpensive increases in production through fuller use of existing capital, simple technical innovation, and a large supply of manpower.

In addition to contributing to industrial modernization, the electronics industry is providing substantial support to a major program now in progress to create a modern broadband national telecommunication system. The system requires large quantities of carrier multiplexing equipment, repeater stations, and automatic switching equipment. The electronics industry is also expanding the production of consumer items, such as radios and TV sets, that can be used for indoctrinating and entertaining the population.

In the US and other advanced countries, products for industrial and consumer use account for a large portion of the resources and output of the electronics industry. China's limited electronics capabilities have been traditionally concentrated on building up production of military end items, notably early warning radars, nuclear instrumentation, and naval and aviation equipment. To proceed with the production of nonmilitary electronics on a substantial scale will require a shift in the pattern of resource allocation within the electronics industry.

The Chinese did not begin to emphasize the production of industrial electronics until about 1971. They will therefore have to acquire much of the associated production equipment and technology from abroad. Among the major items on the Chinese international shopping list are electronic equipment for industrial automation and its associated application technology, including such items as process control computers, electronic precision measuring and testing equipment - areas in which the US is pre-eminent.

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Diplomatic and Political Notes

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Kweichow

The appointment of a new number two man has been announced in Kweichow, but the top spot apparently remains unfilled. At the provincial women's congress on 30 November, former Anhwei party boss Li Pao-hua led the turnout, but was identified only as second secretary of the provincial party committee and vice chairman of the revolutionary committee. Li, who was rehabilitated at the 10th Party Congress and then sent to Kweichow, was a leading candidate for the top party position. The other known contender is Lu Jui-lin, the Yunnan military man who was heading Kweichow turnouts last April, but he has not appeared publicly in the province since Li arrived. Lu was last noted at the 10th Party Congress in Peking when he was elected a full member of the Central Committee.

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Different Priorities in Hanoi and Peking

Chinese and North Vietnamese press treatment of Defense Secretary Schlesinger's recent news conference highlights the divergent interests of the two countries in South Vietnam. Peking concentrated on Schlesinger's remarks regarding the relative strength of US and USSR strategic weapons and made no mention of Vietnam. Hanoi, by contrast, confined its comments to sharp attacks on Schlesinger's suggestion that Washington might consider renewed bombing should the Communists mount an offensive in the South. The Chinese clearly feel that the encouragement of American efforts to counterbalance Soviet power is more important to them than joining Hanoi in warning against US intervention in Vietnam. Indeed, the absence of any comment on Vietnam in the Chinese press may suggest that Peking is privately advising Hanoi not to provoke Washington.

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A Visit to Laos

The Chinese delegation visiting Communist-controlled areas of Laos last week apparently was merely repaying visits to Peking made early this year by senior Pathet Lao officials. The Chinese went to some length to indicate that the visit implied no change in their support for a coalition government in Vientiane or in Peking's intention to deal on a state level with such a government when it is installed. Peking chose a senior official of no national stature to head the delegation.

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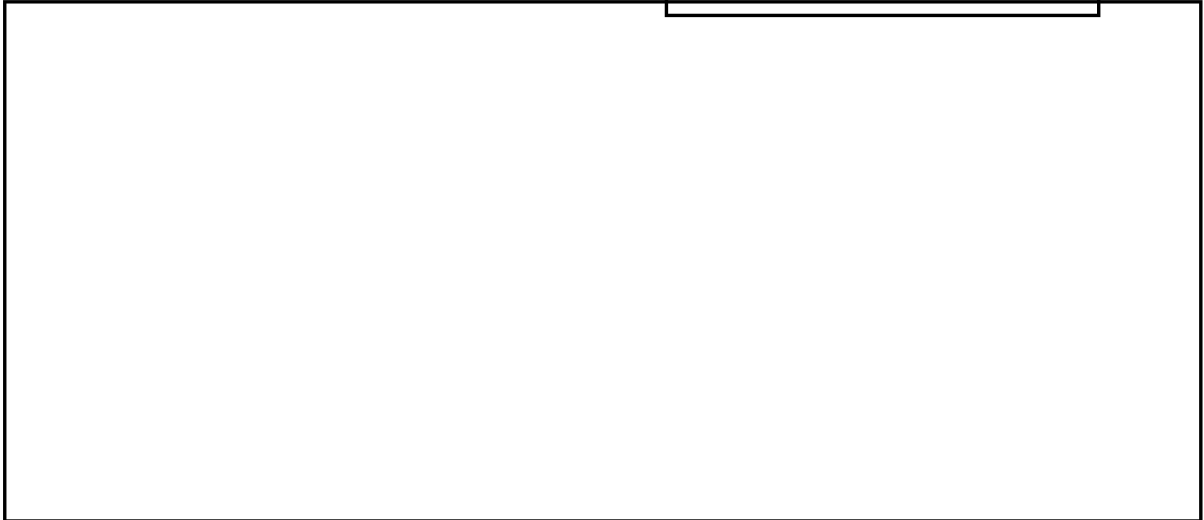
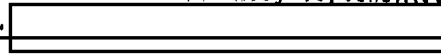
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Perhaps to stress the local nature of the exchange, the official came from Yunnan Province, which borders on Communist-controlled Laos. Both he and the next ranking member are relatively obscure members of the party central committee, equal in rank, if not in power, to the most recent Pathet Lao visitors to China. While in Laos, the Chinese delegation continually indicated that they represented the Chinese "people" rather than the government.

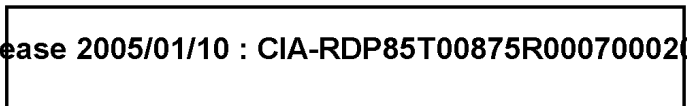


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CHRONOLOGY

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23 Nov-2 Dec Chinese trade delegation visits Philippines, sees President Marcos. No trade agreement signed. [REDACTED]

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26 Nov Military delegation from Albania arrives in Peking [REDACTED]

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25X1 28 Nov Visiting Japanese trade delegation received by Chou En-lai and Liao Cheng-chih. [REDACTED]

25X1 30 Nov China and North Vietnam sign agreement on scientific cooperation. [REDACTED]

25X1 3 Dec Holden Roberto, President of the Angolan National Liberation Front, arrives in Peking. [REDACTED]

7 Dec Chiang Ching, absent since 30 September, and Wang Hung-wen, absent since 7 November, appear together with Chou En-lai. [REDACTED]

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7 Dec King and Queen of Nepal begin friendship visit to China. [REDACTED]

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